

**REPORT OF THE AUDIT OF THE  
BATH COUNTY  
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period  
July 9, 2008 Through May 8, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**BATH COUNTY**  
**SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period**  
**July 9, 2008 Through May 8, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Bath County Sheriff for the period July 9, 2008 through May 8, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$2,982,715 for the districts for 2008 taxes, retaining commissions of \$93,303 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,888,922 to the districts for 2008 taxes. Taxes of \$165 are due to the districts from the Sheriff and refunds of \$2,004 are due to the Sheriff from the taxing districts.

**Report Comments:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Properly Distribute Add-On Fees

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities.



## CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT .....	1
SHERIFF'S SETTLEMENT - 2008 TAXES.....	3
NOTES TO FINANCIAL STATEMENT .....	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	9
COMMENTS AND RECOMMENDATIONS .....	13





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Carolyn Belcher, Bath County Judge/Executive  
Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

Independent Auditor's Report

We have audited the Bath County Sheriff's Settlement - 2008 Taxes for the period July 9, 2008 through May 8, 2009. This tax settlement is the responsibility of the Bath County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Bath County Sheriff's taxes charged, credited, and paid for the period July 9, 2008 through May 8, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 21, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Carolyn Belcher, Bath County Judge/Executive  
Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Should Properly Distribute Add-On Fees

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

August 21, 2009



BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period July 9, 2008 Through May 8, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 279,910	\$ 890,861	\$ 970,175	\$ 331,544
Tangible Personal Property	13,357	47,063	45,412	48,592
Increases Through Exonerations	37	122	129	44
Franchise Taxes	63,740	225,195	216,576	
Additional Billings	78	255	269	92
Penalties	3,561	11,397	12,342	4,310
Adjusted to Sheriff's Receipt	(28)	(110)	(110)	(27)
Gross Chargeable to Sheriff	<u>360,655</u>	<u>1,174,783</u>	<u>1,244,793</u>	<u>384,555</u>
<u>Credits</u>				
Exonerations	3,533	11,514	12,244	4,184
Discounts	4,108	13,121	14,224	5,388
Delinquents:				
Real Estate	12,571	39,572	43,572	14,890
Tangible Personal Property	<u>315</u>	<u>1,017</u>	<u>1,070</u>	<u>748</u>
Total Credits	<u>20,527</u>	<u>65,224</u>	<u>71,110</u>	<u>25,210</u>
Taxes Collected	340,128	1,109,559	1,173,683	359,345
Less: Commissions *	<u>14,743</u>	<u>39,526</u>	<u>23,474</u>	<u>15,560</u>
Taxes Due	325,385	1,070,033	1,150,209	343,785
Taxes Paid	325,371	1,069,593	1,150,204	343,754
Refunds (Current and Prior Year)	<u>261</u>	<u>856</u>	<u>904</u>	<u>308</u>
Due Districts or		**		
(Refunds Due Sheriff)	<u>\$ (247)</u>	<u>\$ (416)</u>	<u>\$ (899)</u>	<u>\$ (277)</u>

The accompanying notes are an integral part of this financial statement.

BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
SHERIFF'S SETTLEMENT - 2008 TAXES  
For The Period July 9, 2008 Through May 8, 2009  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,372,152
4% on	\$	208,127
2% on	\$	1,173,683
1% on	\$	218,753

\*\* Special Taxing Districts:

Library District	\$	165
Health District		(116)
Extension District		(114)
Soil Conservation District		(27)
Ambulance		(92)
Fire		<u>(232)</u>

Due District or		
(Refunds Due Sheriff)	\$	<u>(416)</u>

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT

May 8, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Bath County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

BATH COUNTY  
NOTES TO FINANCIAL STATEMENT  
May 8, 2009  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Bath County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of May 8, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 24, 2008 through May 8, 2009.

Note 4. Interest Income

The Bath County Sheriff earned \$668 as interest income on 2008 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of August 21, 2009, the Sheriff owed \$34 in interest to the school district and \$410 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Bath County Sheriff collected \$22,448 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of August 21, 2009, the Sheriff owed \$19,996 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Bath County Sheriff collected \$1,985 of advertising costs and \$1,990 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office. As of August 21, 2009, the Sheriff owed \$1,985 in advertising costs to the county and \$440 in advertising fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Carolyn Belcher, Bath County Judge/Executive  
Honorable John Snedegar, Bath County Sheriff  
Members of the Bath County Fiscal Court

**Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Bath County Sheriff's Settlement - 2008 Taxes for the period July 9, 2008 through May 8, 2009, and have issued our report thereon dated August 21, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Bath County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Bath County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bath County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comments and recommendations to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties



Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Bath County Sheriff's Settlement – 2008 Taxes for the period July 9, 2008 through May 8, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations.

- The Sheriff Should Properly Distribute Add-On Fees

The Bath County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Bath County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

August 21, 2009



## COMMENTS AND RECOMMENDATIONS



BATH COUNTY  
JOHN SNEDEGAR, SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Period July 9, 2008 Through May 8, 2009

STATE LAWS AND REGULATIONS:

The Sheriff Should Properly Distribute Add-On Fees

The Sheriff collected \$22,448 in add-on fees on tax collections allowed by KRS 134.430(3), but did not properly distribute those add-on fees. The add-on fees should be paid over to the Sheriff's fee account monthly. However, the Sheriff did not distribute add-on fees for each applicable month to his fee account and only paid \$2,452 of add-on fees to his fee account. Therefore, add-on fees in the amount of \$19,996 are due to the Sheriff's fee account. We recommend the Sheriff correctly distribute add-on fees in the future.

*Sheriff's Response: OK.*

INTERNAL CONTROL - SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

A lack of segregation of duties exists over the receipts and disbursements functions of the Sheriff's office because the bookkeeper collects and deposits tax receipts, records all transactions, prepares the monthly reports, and issues checks to the taxing districts. Good internal controls dictate the same employee should not handle and record receipts and disbursements. We recommend the Sheriff either segregate these duties or personally perform the following compensating controls to help offset this weakness.

- Recount and deposit cash.
- Agree daily tax collection totals to the receipts and deposit slip.
- Maintain and agree monthly tax reports to receipts and disbursements ledger.
- Examine all disbursement checks prepared by another employee.

*Sheriff's Response: OK.*

